

OCCUPATIONAL PENSION SCHEMES

*Third Survey by the
Government Actuary*

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OCCUPATIONAL PENSION SCHEMES 1967

Third Survey by the Government Actuary

INTRODUCTION

Background to the survey

1. The survey of occupational pension schemes published by the Government Actuary in 1966* related to the state of affairs in the occupational pension scheme field in the United Kingdom shortly after the close of the year 1963, and indicated that considerable changes had taken place since the time of the first inquiry in 1956. It seemed very likely that further developments would occur and that public interest in questions of superannuation would sooner or later justify the holding of a further statistical investigation. Subsequently, the announcement by the Government of its intention of introducing national pensions legislation, which will clearly influence the structure and size of occupational pension schemes, opened up a prospect of a future period of even more rapid change in such schemes, during which a statistical inquiry might be of too limited a value to be worth making. The Government therefore decided in 1967 that a new investigation should be held as soon as possible. A greater emphasis needed to be placed upon speed in this third survey than in the two previous inquiries, and the form and content of the investigation were consequently adapted to this requirement. At the same time, the opportunity was taken where possible to investigate new topics in order to extend the scope of public knowledge about occupational pension schemes.

2. As in 1963, consultations were held with a number of organisations. The Confederation of British Industries and the Trades Union Congress readily accepted the need for the investigation. Drafts of the inquiry forms were discussed with the Confederation, with Government Departments and with a number of other bodies—for instance the National Association of Pension Funds, the C.I.B. Society of Pension Consultants and the Industrial Society. The Life Offices' Association and the Associated Scottish Life Offices and the Institute and Faculty of Actuaries assisted in a variety of ways. Thanks are due to all these organisations for helpful advice and for their co-operation generally.

Scope and anonymity of the inquiry

3. In the two preceding investigations, information had been collected from more than one independent source and, inevitably, considerable time was occupied in collating and reconciling the results. Although from many points of view a similar multiple approach would have been desirable on the present occasion, the need for more speed precluded this possibility. Much of the necessary data could not be obtained from the records of any Government Department, and it was therefore decided not to draw upon those records except to the extent of ascertaining the names of employers who were likely to have

* Occupational Pension Schemes: A New Survey by the Government Actuary (H.M.S.O. 1966).

pension schemes. Employers were then approached for information. As it is impracticable to make inquiries of every employer having a pension scheme, it was decided for the purpose of the inquiry to select a sample. Letters and forms were sent to some three thousand firms in the United Kingdom, and to the organisations responsible for pension schemes in the Public Sector of the economy. Many of these firms, and all the Public Sector organisations, completed at least some of the answers to a complex questionnaire—a task involving much work for the bodies concerned, and for their actuaries and insurance companies. Gratitude must be expressed for the help thus afforded in the preparation of a statistical report on occupational pension schemes at the present time.

4. The anonymity of all the employers co-operating in the inquiry was carefully preserved. Upon receipt of the completed forms, the front page, which included the name of the employer, was detached and a special code number was written on the remaining sheets. This front page contained the only direct indication of the name and address of the firm in question, and was not used in any of the subsequent analyses. Any correspondence and other papers supplied were treated with equal care, and in this and other ways it has been ensured that no firm or other organisation can be identified in the statistics published in this Report.

Questionnaire

5. A copy of the inquiry form and accompanying letter is reproduced in Appendix I. As may be seen, the information sought related to:

- (a) the total numbers of staff employed;
- (b) the number of members of the scheme or schemes;
- (c) the amount of the contributions and pension expenditure in a recent period;
- (d) the provisions of the rules as to the members' contributions;
- (e) the arrangements for pensions and other benefits;
- (f) the extent of provision for preservation of accrued rights on change of employment; and
- (g) plans for the augmentation of benefits.

Although, because of the need for speed, the information was less voluminous than in the two previous inquiries, the burden on employers was at least as heavy as in 1963 because on this occasion they were asked to supply all the information themselves. As far as possible, however, firms were enabled to avoid a good deal of the work. Those with schemes covering very few members were asked to complete no more than a small part of the inquiry form. Other employers were given the opportunity to send a copy of the Rules instead of giving certain particulars. As shown in paragraph 13 below, however, less than one-half of these firms did in fact send such a copy; the remainder completed the whole of the form.

Sample size

6. The proportion of firms with pension schemes chosen for the sample was one firm in every 25. This is a somewhat higher fraction than in the previous inquiries. The sample was chosen from the record which the Inland Revenue maintain, showing the name and address of every employer who has at any time been in touch with that Department in connexion with setting up an occupational pension scheme. The number of employers' names selected in this way

was 4,653, but not all of these were appropriate for the inquiry. Nearly 1,500 were excluded because they related only to arrangements for one or two selected individuals; such "top-hat" schemes were omitted. About 250 more were left out because the schemes were known to be wholly in respect of staff overseas, to have ceased operation or to be unsuitable for other reasons. Thus the number of employers to whom the inquiry was sent was roughly 2,900. As in 1963, this number was augmented by the inclusion of about 100 specially selected large firms, in order to ensure an adequate volume of data for the pension schemes that cover large groups of employees. Government Departments and Public Corporations were asked to supply similar information.

Reminders

7. Some of the firms whose names were recorded by the Inland Revenue as having been interested in setting up a pension scheme appear not to have instituted one. Others had ceased to exist as trading concerns, had discontinued their pension schemes or could no longer be traced. In such cases, clearly no information of any value could be obtained. Where, however, a firm had been taken over, it was often possible to ascertain the particulars of the pension scheme for the staff in question from the firm that had made the takeover. A problem arose from the considerable number of firms which had not responded to the inquiry in any way after a lapse of three months. A reminder was sent to as many of these as was practically possible—nearly two-thirds of the outstanding cases—and this had the effect of speeding their response very considerably.

Response

8. Some particulars of the numbers of firms approached, the numbers replying and the manner in which they did so are given in Appendix II. Broadly speaking, the rate of response was lower than in 1963, although where a reminder was sent the percentage of firms from which some useful information was received was the same as in the previous inquiry (about 65 per cent).

9. With each new statistical investigation into occupational pension schemes, there has been a tendency to seek to obtain more particulars than on the previous occasion. This trend is justified by the complexity of matters connected with provision for old age, a complexity which itself is growing; but in a series of voluntary inquiries the introduction of additional questions not surprisingly reduces the rate of response. The more the effort required of private firms, the less they are likely to be able or willing to comply within a reasonable interval. In these circumstances, it becomes ever more important to ensure either that the information obtained is representative of the generality of pension schemes—in other words that there is no "bias" among those who send data—or that suitable corrections are made in order to avoid the publication of misleading overall figures.

Assessments of the validity of the response

10. With this purpose in mind, an analysis was made of a few characteristics of a representative sample of non-responding firms, with the aid of the Department of Employment and Productivity, from whose records it was possible to obtain some particulars of the numbers employed. These particulars consisted

of a code letter, indicating the size-group in which the numbers of employees of each selected firm would be found, with some supplementary details, and from this information a size-distribution of all non-responding firms was estimated. The result was closely similar to the corresponding distribution for the 1963 inquiry, shown in Table 2 on page 8 of the Government Actuary's Report dated 1966. On each occasion, a better rate of return was received from small employers, and from large employers, than from medium-sized firms.

11. During the 1963 inquiry, special studies of certain aspects of the schemes of non-responding firms had been made, with the aid of data supplied by the Inland Revenue. From the general similarity of the non-responding firms in the 1967 and 1963 investigations, it was thus possible to infer something about the characteristics of the rules of the pension schemes of employers who did not respond at all to the inquiry. Indeed, with the help of various available sources of information, it has been possible to take steps materially to reduce the deleterious effects of the failure of some of the sampled firms to reply. On the basis of all this information, assessments have been made of the numbers of employers who have pension schemes, of the numbers of employees involved and of a good many of the characteristics of the schemes in question. Some uncertainty in the results is inevitably associated with the sampling process. The degree of uncertainty is relatively small in matters relating to the proportions of schemes having one characteristic or another. Where estimates of total numbers of members or income and expenditure are concerned the variability is much greater. The methods of dealing with these problems have been to round the proportions off to the nearest 5 or 10 per cent, and to study the membership and financial estimates in the light of any other available data to check their general reasonableness.

Tabulation

12. Upon the return of an inquiry form, it was necessary to fill in the answers to certain questions, if the employer had not done so but had sent a copy of the Rules instead. The whole was then checked for accuracy and consistency. Thereafter the processing of the Private Sector sample returns was carried out electronically by University of London Atlas Computer Services Ltd., and the results were tabulated in about 75 separate statements. Other methods of assembling the data had to be used for incomplete returns, including partial information sent by letter or given on the telephone, and other special categories. As was expected, the answers to Questions IIIB and XVII, and the particulars asked for on the left-hand side in respect of Questions VI-VIII and X-XI, were not completed in all instances, but in general the proportion of informative responses at these points was encouragingly high, and good use could be made of the data supplied.

Numbers of schemes in the sample

13. The following statement shows the number of sampled firms from which all the desired information was obtained, classified according to size, according to whether they had one, two or more pension schemes and according to whether or not they sent copies of the Rules. Those firms which had less than 10 pension scheme members were not asked to indicate how many schemes they had but it can reasonably be assumed that in all, or almost all, cases there was only one scheme.

TABLE 1
Numbers of sampled employers

Number of schemes	With less than 10 pensionable employees	With 10 or more pensionable employees		Total
		Not sending copies of Rules	Sending copies of Rules	
1	504	193	151	848
2	—	62	36	98
3 or more	—	21	8	29
Total	504	276	195	975

14. It may be noted from the instructions appended to the inquiry form (see Appendix I) that employers were informed that they need not supply any information about schemes for limited classes of employee. The total numbers of schemes of responding employers may therefore be somewhat larger than the statement shows. As, however, the distribution of firms by numbers of schemes is similar to that derived from the 1963 inquiry, from which schemes for limited classes were not excluded, there has probably not been any important omission of pension schemes from the present investigation; ("top-hat" schemes for individuals were excluded from both investigations).

Comparison with 1963 inquiry

15. In the report on the 1963 inquiry, an account was given of the problems met with in the course of the work, such as those of random error, of non-response and of maintaining a true balance among firms and pension schemes of all types. Problems of this type are inherent in sample surveys and cannot be altogether eliminated by changes in procedure. The present investigation is probably an improvement upon the previous one in some respects; for example, the data were all obtained from one kind of informant—employers—and not from independent sources and are, therefore, probably more homogeneous. Moreover, the availability of the rule books of many schemes opened up new potentialities for analysis. Nevertheless, because of the necessary emphasis upon speed, some matters that were looked into in 1963 could not again be investigated in the same degree: for instance, the basis on which employers' contributions are assessed was not studied. It is, however, reassuring to find, as this report will later show, that in most respects the new survey has confirmed the findings of the 1963 inquiry or appears consistent with it. Indeed, the two inquiries are to a considerable extent complementary to one another, and may be studied in conjunction.

16. The number of people employed by the firms to which inquiries were addressed in the new investigation was greater than in 1963. On that occasion just over a million persons were included within the scope of the survey; this time the corresponding number was over 2 millions. The number of employees of the selected large firms which responded to the inquiry was over a million, or more than one-half of the total estimated staff of all the selected large firms.

The numbers of people employed by responding sampled firms was about 350,000, out of a total of more than half a million employed in all extant sampled firms.

ESTIMATED NUMBERS AND SIZE OF SCHEMES

Effective date

17. The date to which the statistics were to relate was left to the choice of the respondents, subject to a general request that the information should be as recent as possible. In the event the returns related in most cases to a point of time within a month or two before the completion of the return (and, in the case of annual financial statistics, to the 12-month period ending then). The distribution of the dates to which the figures relate is roughly from September 1967 to March 1968 with an average situated in December 1967. No great error will be caused by assuming that the membership statistics relate to the end of 1967, or four years after those to which the report on the 1963 inquiry referred, and the accounting data to the calendar year 1967.

Numbers of schemes

18. The total number of active pension schemes at the end of 1967 is estimated, on the basis of the sample, to have been about 65,000, excluding individual "top-hat" arrangements. This corresponds with previous assessments of 37,500 for the year 1956 and 60,000 for the year 1963. Naturally, there is an appreciable margin of error in all three estimates, but it seems probable that in recent years the numbers of schemes have continued to grow, although at a lower rate than during the period 1956-63. The fall in the rate of increase, taken by itself, does not necessarily imply that the expansion of the field of employment covered by occupational pension schemes has slowed up correspondingly; it could to some extent be the outcome of an increased pace of company takeover activity, of which evidence has been received in the course of the statistical inquiries. Such activity would be expected to lead, along with other management economies, to a rationalisation of pension scheme administration by the amalgamation of separate schemes.

19. In the report on the 1963 inquiry, a table was given showing the estimated distribution of active pension schemes by size in the year 1956 and that in 1963. Size was indicated by the number of active members. The proportions of schemes of different sizes in the two years were closely similar. So far as the present inquiry is concerned, it seems possible that the average size of membership per scheme may have increased since 1963, but the statistics do not give very clear evidence of such a growth.

Insurance status

20. Information was not directly sought, on this occasion, as to whether an employer's pension scheme was insured or not. Where a copy of the rules was received, it was possible in many instances to infer the insurance status of the scheme. In a proportion of such cases, however, doubt remained as to the correct classification. It is estimated that about 90 per cent of schemes are insured, and that this proportion falls from 100 per cent for the scheme of smallest membership to under 50 per cent for the largest. It is not practicable to assess with any confidence whether there has been any significant change in this respect since 1963.

Employers and staff

TABLE 2
*Estimated total numbers of persons employed
by employers having pension schemes
31st December, 1967
Private and Public Sectors*

				Private and Public Sectors			(millions)
				Private Sector	Public Sector	Total	
<i>Non-manual</i>							
Men	...	...		4.4	1.7	6.1	
Women	...	...		2.0	1.3	3.3	
<i>Manual</i>							
Men	...	...		6.2	2.5	8.7	
Women	...	...		3.2	0.8	4.0	
Total				15.8	6.3	22.1	

22. It must be emphasised that the assessments concerning the numbers of employees of Private Sector firms with pension schemes, and of the members of such schemes, are subject to an appreciable margin of error both as at 31st December, 1963, and as at 31st December, 1967. This is attributable to uncertainty associated with the sampling process, and especially the incompleteness in the response. This being so, the differences between the 1963 and 1967 assessments are especially liable to error. While the apparent growth rate in the numbers of persons employed by firms having pension schemes, namely half a million persons per year, is the same as that assessed for the period 1956-63, it cannot be stated with any real conviction that the rate of growth has continued unabated, although it appears likely that this is so.

ector, the total number of members, 4.1 millions, is slightly higher than in 1963. The acquisition of the Steel pension schemes swelled the membership in this sector, and there was some increase in pensionable employment in the public services, but this was partially offset by a run-down in the numbers in Coal and Rail Transport.

COVERAGE OF EMPLOYEES WHERE THERE IS A PENSION SCHEME

Size and coverage

25. In the course of the 1963 inquiry, it was found that there was a good deal of variation between organisations in the proportion of the total employees included for pension purposes. This variation occurred at all sizes of firm and it could not be said, for example, that big concerns in general arranged for a higher (or lower) degree of coverage of their work-force than did small concerns. This finding is confirmed by the present inquiry.

26. For organisations having pension schemes, it is possible to calculate the proportions of the staff in each category who were covered for pension purposes at the end of 1967. The results are summarised in Table 4. The percentages shown (which have been rounded) are similar to those disclosed in the report on the 1963 inquiry.

TABLE 4

*Proportions of employees of organisations
with pension schemes who were covered for pensions
Private and Public Sectors, 1967*

				Private Sector	Public Sector
				%	%
<i>Non-manual</i>					
Men	...	...	...	75	90
Women	...	...	...	40	70
<i>Manual</i>					
Men	...	...	...	60	65
Women	...	...	...	15	15

27. Table 5 has been prepared to give some idea of the extent to which firms discriminate between classes of employee for the purposes of pension cover. All the schemes of each firm are combined for this purpose. The figures show that whereas 75 per cent of all firms with pension schemes employ both manual and non-manual staff, the pension schemes of only 55 per cent of such firms cover both these classes. When only one of the two classes is covered for pension purposes, it is usually the non-manuals. Similarly, although 85 per cent of the firms employ both men and women, only 50 per cent of their schemes incorporate both sexes, and women are frequently excluded. As compared with 1956, there has been some growth in the proportion of members covered by schemes open to both manual and non-manual staff.

TABLE 5

Distribution of employers with pension schemes according to categories of staff employed and categories of pensionable staff

Private Sector, 1967

Category of employees	Approximate proportion of firms with	
	Employees of the type indicated	Pension scheme members of the type indicated
	%	%
Non-manual only	20	35
Manual only	5	10
Both non-manual and manual ...	75	55
Total	100	100
Men only	15	50
Women only	—	—
Both sexes	85	50
Total	100	100

Reasons for exclusion

28. For the first time in these occupational pension scheme surveys, an attempt has been made to ascertain in some detail the reasons why some employees are not included as members of their firms' pension schemes. Question IIIB in the inquiry form asked for a classification of non-members in five groups according to whether it was their youth, age, brevity of service, nature of employment or some other characteristic that prevented participation. Such distinctions are important because they have a bearing upon whether or not a person may hope to become pensionable in due course if he remains in the same employment. The results of this part of the investigation are shown in Table 6, which analyses the gap between the numbers of scheme members and those of the total employees of organisations having pension schemes in the Private and Public Sectors. Exclusion because of youth or short service is important in the Private Sector, though of much less consequence in the Public Sector. Exclusion because of advanced age affects relatively few people, mainly men. It is evident both from Table 6 and from Table 5 and the accompanying commentary that ineligibility of certain types of employment is important. "Other reasons" in the Public Sector refer mainly to members of the Armed Forces who have not entered into the necessary engagements, and are somewhat akin to "service too short"; in the Private Sector, they include (where the cause is stated):

- (i) refusal to join the scheme;
 - (ii) inability to join because the scheme has been closed to new entrants;
- and, occasionally,
- (iii) exclusion at the employer's option.

It is of interest to note that the cause denoted as "other reasons" (often without any qualification) was quoted as a basis for non-membership relatively more frequently in schemes from which certain categories of staff were altogether excluded than in schemes to which all classes of staff belong. Probably, therefore, some of the entries under this head could more appropriately have been included in item (iv) as "employment ineligible".

TABLE 6

Reconciliation between numbers employed and numbers pensionable, showing cause of exclusion from scheme

Private and Public Sectors, 1967

(millions)

	Private Sector		Public Sector	
	Men	Women	Men	Women
Members	6.8	1.3	3.1	1.0
Non-members				
(i) Too young	0.5	0.6	0.1	0.1
(ii) Service too short	1.1	0.8	—	—
(iii) Too old	0.2	0.1	—	—
(iv) Employment ineligible	1.3	1.5	0.7	1.0
(v) Other reasons	0.7	0.9	0.3	—
Employees	10.6	5.2	4.2	2.1

TOTAL AMOUNTS OF CONTRIBUTIONS AND PENSIONS

Income and outgo of pension schemes

29. Four financial items appeared on the inquiry form: employers were asked to state, in respect of the latest year for which statistics were available, the amounts of the following payments: (i) contributions by members; (ii) contributions by employers; (iii) pensions to former employees, and (iv) pensions to widows. No information was sought as to amounts of other benefits, or as to size of funds or the interest income earned upon them. The replies were carefully examined in the light of other available information and, after some adjustment, have been incorporated in a statement showing items of income and outgo. This statement also includes estimates of net interest earnings, of administrative costs and of expenditure on benefits other than pensions which have not been directly derived from the inquiry and are necessarily approximate.

30. The results for the year 1967 are set out in Table 7, with the corresponding assessment for 1963. Pension schemes in the Steel Industry are included in the Private Sector in both years. The funds for insured as well as privately administered schemes are included in this sector. In the Public Sector, there are some pension schemes which are "notionally funded"; for such schemes the amount of employer's contribution has been taken as the amount necessary to balance income and outgo; the notional fund and the employer's notional contribution

to it are disregarded in order that the item "net growth of funds" shall correspond with the amounts actually invested. In unfunded schemes also, the employer's contribution is a balancing item and there is no investment.

TABLE 7
*Estimates of income and outgo
1967 and comparison with 1963 Private and Public Sectors*

(£ millions)

	1963			1967		
	Private Sector	Public Sector	Total	Private Sector	Public Sector	Total
<i>Contributions</i>						
Members	120	110	230	190	155	345
Employers	335	285	620	525	395	920
<i>Net interest earnings</i> ...	240	85	325	365	115	480
Total income... ..	695	480	1,175	1,080	665	1,745
<i>Pensions</i>	125	240	365	250	320	570
<i>Other benefits and expenses (net)</i>	140	110	250	210	155	365
Net growth of funds ...	430	130	560	620	190	810

31. The principal feature of Table 7 is a substantial increase in the figures between 1963 and 1967; more in absolute amount than occurred between 1956 and 1963. In particular, contribution income has risen more speedily than could be accounted for by changes in earnings levels generally. There has been a greater rapidity of growth in the Private Sector than in the Public Sector. This is to be expected, as not only have the numbers of members increased more rapidly but also the scale of provision of benefits has been improved; there is less room for such improvement in the Public Sector. The more rapid rise in pension expenditure in the Private Sector than in the Public Sector is attributable to the different degrees of maturity of the generality of pension schemes in the two sectors: the Private Sector schemes are, on the whole, the more recent, and so the numbers of pensions are growing more rapidly.

CONTRACTING OUT

Numbers contracted out

32. One of the questions on the inquiry form related to the numbers of members in each of the employer's schemes who are contracted out from the national insurance graduated pension scheme. For the Private Sector, the total of the numbers thus recorded in the returns received, expressed as a proportion of the total membership of pension schemes given in these returns, was a little over 30 per cent; it is estimated from other sources of information that some 2.5 million persons in the Private Sector are, in fact, contracted out at present, and

this number represents about 30 per cent of the total number of members (8·1 millions—see Table 3). It thus appears that the data received from the new inquiry were reasonably representative in this respect. In the Public Sector, the numbers of members of occupational pension schemes who are contracted out is in the neighbourhood of 2·8 millions at present, or some 70 per cent of all pensionable employees there.

33. Some investigations have been made to see whether schemes in which most or all of the members are contracted out differ from the generality of schemes, for instance in respect of the nature of the pension benefits, the type of employees who are members, or whether the members contribute towards the cost of the scheme. On the whole, little evidence was found of an association between contracting out and the principal features of the rules. Schemes in which pension benefits accrue at a constant rate independent of salary tend to be contracted out rather more often than do other types; this is because some schemes of this kind were set up specially for the purpose of contracting out.

MISCELLANEOUS ADMINISTRATIVE FEATURES

General

34. In the report on the 1963 inquiry, it was possible to provide some information about matters such as methods of administration, pension ages and the conditions for the entry of staff into the scheme. The circumstances in which the present investigation was held precluded a direct approach to any of these subjects on the inquiry form. As explained in paragraph 5 above, however, many firms sent copies of the rule books of their schemes, or similar literature, and the statistical material thus provided was reasonably representative of the scheme of all the firms from which returns were received. Copies of Trust Deeds were rarely supplied, and hence there is insufficient detail for a discussion of administrative responsibilities (Table 15 in the 1966 Report). It is, however, possible to say something about the minimum ages and qualifying periods of service required for the entry of staff into pension schemes, and about the normal retirement ages.

Conditions for entry

35. The data from the new inquiry suggest that little significant change occurred between 1963 and 1967 in the minimum qualifications required for admission. Tables 20 and 21 of the Report on the 1963 inquiry showed that an appreciable proportion of Private Sector schemes did not impose any qualifying conditions as to age or length of service for membership; in many schemes, however, employees were required to have attained a given age—often 21 for men, or 25 for women—and to have completed one year or more of service with the firm in order to be able to participate. All this is borne out by the new inquiry. In the Public Sector of the economy also, there has been no appreciable change in the entry conditions since 1963.

Pension ages

36. The new information broadly bears out the findings of 1956 and 1963 in relation to the distribution of pension ages in Private Sector schemes: for the great majority of members, pension becomes available at the same ages as in the national insurance scheme, namely at 65 for men and at 60 for women.

The data now collected are not extensive enough to enable any assessment of trends to be made—to indicate for instance whether the proportion of schemes for which these ages apply is even greater now than it was in 1963, or whether there has been any tendency away from the national standard. On the available evidence, it appears unlikely that the situation has undergone any material change in the past four years, although between 1956 and 1963 the proportion of Private Sector schemes with a pension age other than 65 (men) or 60 (women) probably diminished.

MEMBERS' CONTRIBUTIONS

Non-contributory schemes

37. The new inquiry shows that the proportion of Private Sector schemes in which the members are not required to contribute is about 30 per cent. The proportion of members of schemes who were participants in non-contributory pension arrangements is about 35 per cent. Both these results are the same as those obtained from the 1963 inquiry (Tables 22 and 23 of 1966 Report). There appears to be some tendency for the proportion of schemes that are non-contributory to be higher for schemes with a large membership than for schemes with a small membership, but the effect is not very pronounced. Non-contributory status does not appear to be associated in any marked way with other features of schemes, for instance with the type of staff who are members or the kind of pension granted, but "executive-type" schemes which provide discretionary benefits only for selected senior staff seem invariably to be non-contributory.

In the Public Sector the proportion of members who are in non-contributory schemes has not changed materially since 1963, when it was 26 per cent.

Contributory schemes

38. The relative numbers of Private Sector schemes in which the members pay contributions assessed in certain ways are set out in Table 8, together with the corresponding results of the 1963 inquiry. The data set out in Table 8 suggest

TABLE 8

*Schemes classified according to the general manner
in which the members' contributions are assessed
Private Sector, 1963 and 1967*

Manner of assessment of member's contribution	Proportion of Schemes	
	1963	1967
	%	%
Dependent on salary range	27	20
Percentage of salary	15	25
Uniform sum independent of pay	17	20
Other basis	11	5
All contributory schemes	70	70
Non-contributory schemes	30	30
All schemes	100	100

that there has been some decline in the frequency of the "salary-range" type of scheme. The proportion of schemes with a "percentage of salary" basis for the member's contribution has materially increased in recent years. There has been no very marked change in the proportion of schemes in which contributions are independent of pay. Owing to the general similarity of the methods of contribution assessment described in the first two lines of Table 8, it is conceivable that some employers, in responding to the inquiry, could have confused the two methods. Reference to the copies of the Rules provided does, however, generally confirm the picture of recent changes that has been drawn in this paragraph. The group of schemes classified under the heading "other basis" in Table 8 is too small and too mixed for it to be possible to conclude with certainty that this type of scheme has declined; the apparent change between 1963 and 1967 could conceivably be explained by differences of definition between the two inquiries.

Members paying different types of contribution

39. The estimated proportions of members of schemes whose contributions were assessed in various ways in 1963 and 1967 are indicated in Table 9. The changes during the past 4 years are seen to be generally similar to those outlined in connexion with Table 8. It would appear that, nowadays, the larger the scheme,

TABLE 9

*Proportions of members of schemes paying
contributions assessed in various ways*

Private Sector, 1963 and 1967

Method of assessment of member's contribution	Proportion of members	
	1963	1967
Dependent on salary range	% 21	% 10
Percentage of salary	12	35
Uniform sum independent of pay	21	15
Other basis	11	5
All contributory schemes	65	65
Non-contributory schemes	35	35
All schemes	100	100

the more likely the member's contributions are to be of the "percentage of salary" type and the less likely they are to depend on the salary range. The corresponding data for 1956 showed a markedly lower proportion of contributions assessed independently of pay than in 1963. The proportion of schemes in which the contribution was expressed as a percentage of salary was higher in 1956 than in 1963, although much of the excess is attributable to schemes with a non-uniform percentage, which may have been included under "other schemes" in 1963. In the Public Sector, the distribution of members according to the method of

The data now collected are not extensive enough to enable any assessment of trends to be made—to indicate for instance whether the proportion of schemes for which these ages apply is even greater now than it was in 1963, or whether there has been any tendency away from the national standard. On the available evidence, it appears unlikely that the situation has undergone any material change in the past four years, although between 1956 and 1963 the proportion of Private Sector schemes with a pension age other than 65 (men) or 60 (women) probably diminished.

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assessment of their personal contributions remains broadly the same as in 1963: about three-quarters of the members pay contributions; of these, over 75 per cent (or 60 per cent of all members) now pay a percentage of salary, and most of the remainder pay level sums independent of earnings.

Amounts of members' contributions

40. On the basis of the information provided in the completed questionnaires, supplemented by the additional material given in the rule books sent by many employers, it is possible to make an assessment of the distribution of schemes according to the size of the contributions payable by their members. The results for the three major types of method of assessment are given below; all these figures relate to the Private Sector:

A. Members' contributions expressed in terms of salary ranges

<i>Amount of contribution for the salary range embracing £1,000 a year</i>	<i>Proportion of schemes</i>
£ per annum	%
Under 30	15
30 and under 40	20
40 and under 50	30
50 and over	35
Total	100

B. Members' contributions expressed as a percentage of salary

<i>Percentage contribution</i>	<i>Proportion of schemes</i>
	%
Under 3	5
3 and under 4	15
4 and under 5	20
5 and under 6	45
6 and over	15
Total	100

C. Members' contributions at a level rate independent of salary

<i>Amount of contribution</i>	<i>Proportion of schemes</i>
Shillings per week	%
Under 3	20
3 and under 6	65
6 and under 9	5
9 and under 12	5
12 and over	5
Total	100

41. In the same way, distributions of members may also be drawn up, and these may be combined in order to assess the proportions of members who pay contributions of various sizes into occupational pension schemes. While the contributions of type B are expressed as percentages of salary, and those of type A may also be expressed in similar form, those of type C are given in absolute amounts. As an approximation, these amounts have been converted into the form of percentages of an assumed "pensionable salary" of £900 a year. Items A, B and C may then be brought together to form a distribution of members according to percentage contribution rate. This distribution then needs to be adjusted for members' contributions which are assessed in other ways. In this fashion, Table 10 has been prepared, giving figures for 1967 alongside which the corresponding estimates for 1963 have been set for the sake of comparison. The differences between the distributions given in the tables for 1963 and for 1967 may well be attributable in part to sampling variations. There is, however, some evidence that the rates of contribution payable by members have tended to increase (probably in association with general improvements in benefits).

TABLE 10
*Contributions of contributing members
expressed as percentages of pay
Private Sector, 1963 and 1967*

Rate of contribution	Proportion of members	
	1963	1967
Under 2 per cent	35	25
2 and under 3 per cent	5	10
3 " " 4 " "	25	15
4 " " 5 " "	20	20
5 " " 6 " "	15	25
6 per cent and over	—	5
All rates	100	100

CONTRIBUTIONS PAID BY EMPLOYERS

Amounts per member

42. Information concerning the form and purpose of employers' payments, such as was shown in Tables 27–30 of the report on the 1963 inquiry, was not sought on the present occasion, but data are available from the answers to item IV(2) on the 1967 questionnaire. Thus the amounts paid by firms into their pension schemes in a recent 12-month period can be assessed, and hence the amount of the employer's contribution per member. In Table 11 the proportions of schemes, and of members of schemes, according to the size of this amount are set out for the Private Sector, and some comparable data for the Public Sector are also provided. As the two columns of percentages for the Private Sector are similar, it would appear that employers of large staffs do not necessarily contribute more (or less) per head than do small employers. The amounts for the Public Sector are generally higher than those for the Private Sector.

benefits were assessed independently of salary (as with the method of assessment of contributions—see paragraph 39 above). They also gave a higher proportion than in 1963 whose benefits were assessed on “other bases”, although any differences in this respect might be attributable in some degree to disparities of definition.

48. The only material change that occurred in the Public Sector during 1963–67 was the introduction of a new scheme for rail transport workers in which pensions are wage-related; the transfer of a substantial number of employees to this scheme for the flat-rate benefit scheme hitherto available has caused some alteration in the position shown in paragraph 73 of the report on the 1963 inquiry. Because of this, and also because of a fall in the number of mineworkers on fixed rates of pension, the proportion of members whose pensions are assessed as a fraction of salary for each year of service is now 88 per cent.

Pensions and contributions

49. From previous investigations, it had become evident that in the Private Sector there is no very close correspondence between the proportion of schemes in which the pension benefits are assessed in a certain manner and the proportions of schemes in which the members’ contributions are assessed in a corresponding manner. The data given in Tables 8, 9, 12 and 13 once again demonstrate this fact. Analysis of the rule books supplied shows, however, that only a few schemes, of modest size, have methods of contribution and benefit assessment that are clearly inconsistent with one another. More commonly, schemes with simple flat-rate or percentage contribution rates are classed for benefit purposes under the heading of “other bases”, e.g., because the member’s pension is assessed on the basis of the contributions he has paid rather than in any of the ways specified in Table 12.

Sizes of age pensions

50. The particulars of amounts of benefits shown in the inquiry forms have been analysed in order to give some idea of the average amounts and range of pension scales. The results were compared with those obtained from the rules of schemes, where these were provided, and a good general agreement was found. The results for the Private Sector are discussed in paragraphs 51–53.

A. Salary-band schemes

51. Information was sought concerning the rate of pension accrual in operation when the level of salary is £1,000 per annum, and the particulars may be summarised as follows:

<i>Pension accruing for one year's service</i>	<i>Proportion of</i>	
	<i>Schemes</i>	<i>Members</i>
	%	%
Under £10 per annum	15	5
£10–14 ” ”	20	15
£15–19 ” ”	50	65
£20 and over ” ”	15	15
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

In the 1963 inquiry, the data obtained related to accruals when the salary was £750 per annum; the results were exhibited in Table 36 of the report, which showed that the most usual accrual group was £9-12 for each year of service. It must be remembered that in most schemes the ratio of accruing pension to pay tends to increase slowly as the pay level rises. When allowance is made for this, the new figures are found to be consistent with those of 1963, and no significant change in the level of provision has thus occurred between the two inquiries.

B. Salary-service pensions

52. The data for schemes in which the pension is expressed as a fraction of salary for each year of service have been grouped as follows:

<i>Pension fraction</i>	<i>Proportion of</i>	
	<i>Schemes</i>	<i>Members</i>
	%	%
Less than 80ths	25	10
80ths	35	40
Between 60ths and 80ths	15	10
60ths or better	25	40
	—	—
	100	100
	—	—

As compared with 1963, these data suggest an increase in the proportion of members subject to 60ths and a corresponding decrease in the proportion subject to 80ths.

C. Rates of pension accrual independent of remuneration

53. The following data were obtained:

<i>Annual rate of pension accrual</i>	<i>Proportion of</i>	
	<i>Schemes</i>	<i>Members</i>
	%	%
Under £3	10	15
£3-£4 9s.	45	50
£4 10s.-£5 19s.	20	15
£6-£8 19s.	10	10
£9 and over	15	10
	—	—
	100	100
	—	—

The rates in force are generally higher than those of 1963. One reason for this is the rise in the upper income-level for State graduated pension benefits; many of the schemes of this type are contracted out of the State graduated pension provisions and, in order to permit the members to remain contracted out, it was necessary to ensure that the rate of benefit accrual was up to the new State level. The rate of accrual for men thus had to be at least £3 9s. 7d. a year, whereas until January 1964 the minimum requirement had been £2 6s. 2d. a year.

54. It is of interest to note that, in each type of scheme referred to in paragraphs 51-53, the distribution of members of schemes according to benefit level differs slightly from the distribution of schemes. In salary-band and salary-service

schemes, the membership is weighted towards the higher benefits, thus showing that the larger the membership of a scheme, the better the pensions tend to be. In flat-rate schemes, however, there is a tendency for the largest schemes to have lower than average benefits.

Averaging of salary

55. In studying the copies of the rules of Private Sector schemes providing salary-service type pensions, it was found that the amount of salary on which pensions were determined was usually the remuneration in the terminal year of service (or, in a few cases, the salary at a given age preceding retirement). Averaging over a 3-year or 5-year period was less common than the use of the pay in the last 12 months; this is the reverse of what was found from the two previous inquiries. It must be borne in mind that the size of the sample for this purpose (restricted as it was to schemes for which rule books were sent) was smaller than in 1956 or 1963. No firm conclusions can therefore be drawn about the relative frequency of 1-year, 3-year and 5-year averaging periods at the present time, but all three types are still in use to some extent.

Commutation

56. References to commutation of pension are often included in the rules of Private Sector pension schemes, but where the documents received consisted only of explanatory booklets the question of commutation was often left unmentioned. In some 8 per cent of schemes, covering 2 per cent of the membership of all schemes in respect of which rules were sent, it was indicated that the whole retirement benefit could be taken in lump sum form. These figures agree closely with the proportions of schemes and members exempted by Section 387(1)(b) of the Income Tax Act 1952, as recorded in the 1963 inquiry (Table 17).

Adaptation to National Insurance

57. Question X of the inquiry form asked for particulars of specific adjustments to benefits and to members' contributions in respect of National Insurance, and made provision for three forms of positive response, as well as for an answer indicating that no such adjustments were made. As was to be expected from the results of both earlier inquiries, most of the replies were that there is no specific adjustment. Among Private Sector schemes with 25 members or more, about 90 per cent were indicated as making no adaptation; their membership represented some 85 per cent of the total membership of schemes above this minimum size. In some at least of these schemes, cognizance of the National Insurance provisions may well have been taken, in an indirect way, when the rules were drawn up. In the analysis of the provisions of those schemes for which rule books were provided, a broadly similar result was observed: adjustments to contributions and benefits specifically related to national pension provision were made in only about 5 per cent of those schemes, covering 7 per cent of their members.

58. Where there was a specific adjustment for National Insurance, the method most often mentioned in the replies was the disregard of an amount of salary for pension purposes. The next most common form of deduction was expressed as a function of the current normal amount of State pension for a single person. In both cases, the size of the adjustment varied materially from scheme to scheme and was not always on the same scale for contributions as for benefits. Further

analysis disclosed that such adjustments for National Insurance are normally made only where the occupational pension benefit is expressed as a percentage of final or near-final pay for each year of service, and then only when the pension fraction is relatively high. Because they are often of this type, the schemes of some of the largest employers in the country are specially adapted to National Insurance. Where salary is disregarded the amount not taken into account ranges from £50 to £350 per annum, the most usual amount being £150 or £200. Where deductions are related to the State pension they vary from one-half to the whole of the national rate. Some schemes show both a salary disregard and an adjustment related to State pensions.

59. The general tendency for national pensions to increase and for the scale of occupational pension provision to move towards rates of benefit which might produce a pension of as much as two-thirds of final salary after full service increases the need for specific adaptations for National Insurance. At present, however, only some of the larger employers seem to have given much attention to this complex problem. Thus, so far, the proportion of occupational schemes adjusted for this purpose has shown little increase in comparison with 1956 and 1963.

60. In the Public Sector, specific modification of benefits and contributions continues to be a feature affecting more than one-half of the members. The proportion of members affected has indeed risen, mainly because of the introduction of an integrated scheme in the rail transport industry, in which the national pension is deducted from a "target" pension in order to arrive at the amount of the benefit payable from the scheme.

EARLY AND LATE RETIREMENT

Ill-health pensions

61. In the 1963 inquiry, it was found that only about 8 per cent of schemes in the Private Sector provided, on ill-health retirement, pensions which were assessed in the same general manner as age-retirement pensions. Outside this small group, where an ill-health pension was granted it was reduced, having regard either to the member's age or to the reserve currently available on his behalf, below the retirement pension scale. By and large, unreduced and reduced ill-health pensions were associated respectively with non-insured and insured schemes.

62. The copies of the rules of schemes, and other similar literature, sent by Private Sector employers for the purposes of the new inquiry were studied in order to examine the current position in this respect. The proportion of schemes in which an unabated ill-health pension was granted proved to be 8 per cent, as in 1963. The corresponding proportion of members was, however, 23 per cent, whereas in 1963 it had been only about 8 per cent (although in 1956 it had been 14 per cent). In contrasting these results, sampling variability must be borne in mind, particularly for the new inquiry. It is not necessarily implied that a dramatic change has occurred in the short space of 4 years. It does seem likely, however, that the answer probably now approaches 23 per cent of members. It has been verified that almost all insured pension schemes provide for an ill-health pension on a reduced scale, as compared with a pension begun only at the normal retirement age. It seems possible that some employers may, out of general revenue,

supplement small pensions to ill-health pensioners, but no information about this practice was sought in the inquiry. Some information about the policy of firms in augmenting pensions generally is, however, given in paragraphs 64 to 72 below.

Deferment of retirement

63. When a member of a pension scheme continues to serve in the same employment after attaining the minimum retirement age, it is the normal practice to withhold payment of pension and, when service eventually ends, to increase its amount. In a high proportion of Private Sector schemes, the increases are awarded at a special rate which is determined actuarially. Over 80 per cent of the schemes whose rules were examined were of this type. In some cases, where pension is related to final average salary and length of service, the increase provides only for the additional service rendered, on the same scale as at earlier ages; about 5 per cent of the schemes studied were of this kind. In the remaining schemes, there was no mention of any increase for deferment. These results generally bear out the findings of the 1963 inquiry—see Table 39 of the report.

INCREASE OF PENSION

Augmentation

64. In the 1963 investigation, information was sought from employers about the practice of increasing pensions at or after retirement if they appeared inadequate, having regard to rises in pay levels generally or to changes in the cost of living. Respondents were asked to say not only whether they followed this practice but also what were the principles upon which they decided upon the amounts of augmentation. The results are discussed in paragraphs 84–88 of the report on that inquiry; they showed that augmentation was fairly common among the long-established schemes where there were many pensioners, but that the principles on which it was applied were diverse.

65. For the new inquiry, it was thought desirable again to try to ascertain whether or not augmentation was given, and if so when and from what sources; it was also decided to seek some evidence on the extent of the increases granted. Question XVII refers to this quantitative aspect; for an accurate assessment a series of questions was needed, but interests of speed and simplicity imposed severe limitations upon the amount of information that could be sought.

66. Normally a number of years elapse, after a pension scheme is begun, before any pensions commence to be paid. During this period the question of augmentation does not arise, and commitments to increase future pensions are not undertaken. If the scale of pension accrual is modest, or if the members who first attain pension age have relatively short periods of reckonable service, the necessity of supplementation is likely to become apparent as soon as the first retirements occur. In other cases, it will not emerge until a sufficient number of pensions have been in payment long enough to show the effects of erosion through changes in the value of money. Question XIII therefore asked whether anyone had yet retired on pension. In some 30 per cent of schemes with 25 members or more, this had not yet happened. These schemes are mostly small ones; the proportion of members in them represents less than 10 per cent of the membership of all schemes.

67. Question XIV inquired whether, in each scheme, any augmentation of pension had been given (a) at retirement and (b) after commencement of pension. The answers, in respect of Private Sector schemes where retirements have occurred, may be analysed as follows:

	<i>Proportion of</i>	
	<i>Schemes</i> %	<i>Members</i> %
<i>Augmentation given</i>		
At retirement only	25	30
Both at and after retirement	15	10
After retirement only	15	40

The proportions of schemes in which augmentation is shown as being provided are appreciably higher than in the 1963 inquiry, both at retirement and after retirement. The new data thus suggest that the practice is growing, in association no doubt with a growth in the proportion of pensioners who have been on pension long enough to feel the effects of inflation. (The extent to which augmentation applies to all pensioners in a scheme, or only to selected individuals, has not however been investigated.)

Nature of augmentation

68. It was then asked, in Question XV, whether the augmentation was on an automatic basis or whether decisions were made *ad hoc* from time to time, and the replies showed that decisions *ad hoc* heavily predominate over pre-determined plans. Broadly the ratio of incidence is of the order of four to one.

69. The sources of the finances of augmentation were investigated in Question XVI. The replies indicate that the money is more commonly found from sources outside the pension scheme (three-quarters of schemes granting augmentation) than from surplus in the fund.

Amounts

70. The answers to Question XVII, about the amounts of increases, were very diverse in character. Some related to all the pensioners taken together, and were uninformative because the numbers of pensioners benefiting were not stated. Some gave figures for groupings of size of pension which differed from those required or for points of time other than 10 years after retirement. Some gave no figures at all but discussed pension increase in verbal terms. Only in about one-third to one-half of all the schemes in which augmentation is given did numerical information appear in the form required. The following figures indicate broadly the extent and range of pension increase according to this restricted information:

	<i>Original size of annual pension</i>	<i>Increase per annum</i>	
		<i>Range</i>	<i>Mean</i>
<i>Augmentation at retirement</i>	Up to £150	£20-150	£60
	£150-£299	£40-150	£90
	£300 and over	£50-150	£120
<i>Augmentation after 10 years of retirement</i>	Up to £150	£25-100	£60
	£150-£299	£25-120	£70
	£300 and over	£25-200	£100

71. From these figures it may be observed that:

- (i) The extent of augmentation varies widely from one scheme to another. This is readily understandable for payments immediately upon retirement, because the difference between the amount of the scheme pension and what appears to be a reasonable or desirable pension will vary according to the nature of the scheme benefits and to the concept of a desirable pension. Having regard to changes in the cost of living, which are much the same for all, the variations in the amounts of augmentation after 10 years of retirement are more surprising; but in the great majority of augmenting firms, the range of increase in pension was from 15–35 per cent, during a 10-year period when the cost of living index rose by about one-third.
- (ii) There is a close similarity between the extra amounts given on retirement and those provided after 10 years of retirement. There seems to be no particular reason why this should be so, except perhaps that the general feeling of what it is reasonable and practicable to give as augmentation may be the same in both instances.
- (iii) Expressed in absolute amounts, augmentation tends to increase with the size of the original pension; expressed as a proportion of that pension, it tends to fall as the size of the pension increases.
- (iv) Augmentation after 10 years of retirement, where given, has increased middle-range pensions by some 30 per cent on average, which represents an annual rate of increase of some $2\frac{1}{2}$ per cent.

Public Sector

72. The Pensions Increase Acts apply to the Public Services, and broadly parallel treatment is given over most of the remainder of the Public Sector. The outcome is more uniform as between schemes, and between individuals, than in the Private Sector. Augmentation immediately on retirement is not generally necessary, as pensions are usually based on near-final salary. Under the Pensions Increase Acts, the amount of increase given after 10 years on pension is currently of the order of 35–40 per cent, i.e., rather higher than in the Private Sector. At longer durations Pensions Increase represents a rate of improvement of up to 4 per cent per annum since award; augmentation after 5 years on pension is, however, at a more modest rate—perhaps 2 per cent per annum.

DEATH BENEFITS

Widows' pensions

73. The part of the inquiry form that was concerned with death benefits (Question VII) was subdivided into two sections, relating respectively to deaths in service and deaths after retirement. In each case, it was asked whether a widow's pension was always available or whether it could be paid only if the member had exercised an option to provide it. The replies received suggest that unconditional widows' pensions, both on death in service and on death after retirement, are payable in about 10 per cent of Private Sector schemes. The corresponding proportion of male members is about one-third: this is higher than in 1963, when it was under 20 per cent, and higher still than in 1956. For deaths in service, optional widows' benefits are rather uncommon. The replies concerning optional widows' pensions on death after retirement are discussed in paragraph 75 below.

The amounts of widows' pensions, where they do not depend on the member's option, are usually expressed either as absolute sums or as a proportion of the member's accrued or actual pension. Where the rules mention a proportion, one-half or one-third is usual. The number of schemes in the sample which provide widows' pensions, and for which full details are available, is hardly big enough to justify more detailed analysis.

74. In the Public Sector, the proportion of male members covered for widows' pensions has risen above its 1963 level of 70 per cent. This is attributable in part to the introduction of a special widows' pension scheme for teachers. Some 90 per cent of men are now in schemes in which such benefits are available.

Allocation of pension in favour of a dependant

75. In about 80 per cent of Private Sector schemes (including some schemes which provide widows' pensions) there is a facility whereby a member, on or shortly before retirement, may elect to forgo a part of his pension in order to secure periodical payments to his widow or other nominated dependant after his death. Over 70 per cent of the members of the schemes analysed have this facility available to them. This is a result very similar to those found in the 1956 and 1963 inquiries. The extent to which the allocation facility is used in Private Sector schemes is not known; in the Public Sector, although generally available, it has never been used by more than a small minority.

Other death benefits

76. Space was allocated, in the questionnaire, to one or other of three possible alternatives to widows' pensions on death in service or after retirement. The three possibilities, which effectively embrace all the situations met with in practice, were a lump sum payment, a refund of the member's contributions and an absence of any benefit. For death in service, the approximate distribution of Private Sector replies, in respect of schemes where widows' pensions are not provided, was:

<i>Benefit on death in service</i>	<i>Proportion of</i>	
	<i>Schemes</i>	<i>Members</i>
	%	%
Lump sum	80	70
Return of member's contributions	15	20
No benefit	5	10
	<hr/>	<hr/>
	100	100
	<hr/>	<hr/>

77. The rule books supplied confirm that lump sum benefits are frequently granted. Their size varies widely from scheme to scheme. In about one-fifth of the schemes from which lump sums are provided, they are related to salary at the time of death; the range of amounts is from one to four times the salary, with an average of twice the salary. In most other cases the payment is of a fixed sum, the average being about £1,500 and the range broadly from £500 to £5,000.

78. A study of the replies and the rules shows that the only benefits normally available on death after retirement (where widows' pensions are not granted)

are temporary in character, i.e., payable only on death within the years immediately following retirement. These benefits usually take the form of a balancing item, consisting of either the amounts which would have been paid on death in service, if it had occurred on the day before retirement, or a fixed multiple of the annual pension payments, *less* in each case the amount of the pension benefits received up to the date of death. In the Public Sector, death benefits remain the same as they were in 1963, with the exception of some increase in respect of widows' pensions, to which reference was made in paragraph 74.

WITHDRAWAL BENEFITS

Preservation of pension

79. Question XI of the inquiry form asked about the existence of any provisions under which, if an employee left the firm's service voluntarily, his pension rights might be preserved. Space was left for entries in respect of deferred pensions (i.e. "cold-storage" benefits), transfer values and other arrangements—or, if no preservation arrangements existed, for a distinction between a return of contribution, on the one hand, and no benefit at all on the other. It could hardly be expected that much detailed information about preservation could be obtained in this way, because many schemes offer a complex system of alternative options, but any question sufficiently searching to elicit a complete analysis would undoubtedly have overloaded the whole investigation. The results arising from the answer to Question XI are discussed in the next few paragraphs.

Transfer values

80. In some Private Sector schemes, specific mention is made of the possibility of a transfer value being paid on a member's withdrawal. The employers' replies to the questionnaire suggested that less than 10 per cent of schemes were of this kind. It appears, however, that employers experienced some difficulty in answering Question XI, because many amended it or added explanatory footnotes to their answers; it seems probable that this result is an understatement. For a higher proportion of schemes—25 per cent—the answer "yes" was recorded in reply to Question XII, which asked whether the rules contained provision for the receipt of transfer values from other schemes. It was found that many of the schemes with a large membership do provide for the possible receipt and payment of transfer values, if suitable arrangements can be made with another scheme. The proportions of members of all schemes who are shown by the data as belonging to schemes having these powers are:

Payment of transfer values: 35 per cent

Receipt of transfer values: 55 per cent

81. In the 1963 inquiry, it was found that power to accept and pay transfer values existed in respectively one-quarter and one-third of schemes, covering about one-half of the membership in either case. These are more favourable results, from the members' point of view, than those of the present inquiry. It seems most unlikely, however, that the position has worsened between 1963 and 1967. The differences between the results of the two inquiries should probably be regarded, therefore, as being attributable to the different methods by which the information was obtained.

The answers given to a supplementary question, appended to Question XI, on the frequency with which transfer values were paid, were not sufficient to permit of any useful analysis, but, as shown in the report on the 1963 inquiry, transfer values are paid much less often than might be supposed from the frequency with which the rules provide for such a possibility.

Other withdrawal benefits

82. A special study was made of the rules of Private Sector schemes concerning benefits on leaving the employer's service, other than by death or retirement on pension, where no transfer value is paid. The purpose of this study was to identify the principal forms in which the benefits were expressed and the associated options in the various circumstances that can arise. Three contingencies in which an employee may leave the scheme are normally distinguished in the rules:

- (i) withdrawal by the member at his own option;
- (ii) cessation enforced upon the member through redundancy or ill-health; and
- (iii) dismissal of the member because of misconduct.

Members of contributory schemes who leave their employment are normally allowed the right to a cash payment representing a refund of all personal contributions—usually with the addition of interest at a standard annual rate. It is also very common for such members to be able to choose, instead, an equivalent pension, payment of which is deferred until the age at which retirement on immediate pension is allowed under the scheme. In non-contributory schemes, a deferred pension is the only available withdrawal benefit; in some cases there is no benefit at all.

Employer's contributions

83. On a member's withdrawal, so far as the employer's contributions to the pension scheme on his behalf are concerned, basically there are the following possibilities:

- (a) the member is given no credit for the employer's contributions; or
- (b) if he chooses a deferred pension in respect of his own contributions, or if he has no contributions to be returned, he may be given credit for the employer's payments; this may happen either:
 - (i) subject to certain qualifying conditions, or at the discretion of the employer or the trustees, or
 - (ii) in all cases.

In case (b) (i), the exercise of a choice by both the member and his employer may thus be involved.

84. The same range of possible benefits is found in relation to exits from employment which are enforced because of ill-health or redundancy; the individual member may, however, be treated more favourably. Thus (b) (ii) may be allowed on enforced withdrawal as compared with (b) (i) on voluntary withdrawal; or (b) (i) may be granted instead of (a). Where, however, a member is dismissed through his own fault, his treatment will often be less favourable than in the event of voluntary withdrawal.

85. In the circumstances, the most appropriate manner of statistical analysis of the provisions of rules seemed to be to subdivide the benefits payable, on either voluntary withdrawal or redundancy, into four types, namely:

- I No benefit at all.
- II A refund of personal contributions, with in most cases an option of an equivalent deferred pension, and no benefit from the employer's contributions.
- III A deferred pension derived from the employer's contributions, or from the reserves of the fund, payable in addition to any deferred pension chosen under II, but granted only at the discretion of the employer or the trustees.
- IV A deferred pension derived from the employer's contributions, in addition to any deferred pension chosen under II, without the need for the exercise of any option by the employer or by the trustees.

The benefits payable under III and IV in respect of the employer's contributions are sometimes granted also in schemes to which the members are not required to contribute.

86. These groups incorporate a number of variants, for instance:

- (a) there are a few schemes in which the benefit of the firm's contributions is given, not at discretion, but subject to a qualifying age or period of service; these have been included in IV in the following analysis;
- (b) some schemes, effected by insurance policies, provide for the grant of the benefit of the member's policy, or his share of a joint policy, on the member's withdrawal; others allow the benefit of the employer's share as well; in either case the policy may be surrendered, or converted into a paid-up form, or maintained fully in force; such schemes have been included in group II, III or IV as appropriate;
- (c) certain schemes provide for the accrual of small pensions, independent of pay, of a size just sufficient to enable their members to be contracted out of the graduated national pension arrangements; the benefit on withdrawal necessarily includes a deferred pension—unless a payment in lieu is made to the National Insurance Fund; these schemes are included in Group IV; in other schemes where the members are contracted out, the pension necessarily preserved has been ignored in the classification.

Voluntary withdrawal

87. The numbers of schemes, and of their members, have been classified according to the nature of their provisions in respect of voluntary withdrawal, using the four categories specified in paragraph 85 above.

88. As may be seen from Table 14, a small proportion of schemes do not provide any benefit. These are schemes to which the members do not contribute; they represent about one-third of all non-contributory schemes, and it follows from this that deferred pensions of some kind are allowed in the majority of such schemes. It appears, however, that about one-half of the members of non-contributory schemes are not eligible for any benefit on voluntary withdrawal.

Item II represents the contributory schemes; it accounts for about half of such schemes (and more than half of their members). Item III relates to both contributory and non-contributory schemes, and makes up part of the balance; here the employer has discretion to allow the benefit of his contributions. The proportion of cases in which he does so in practice is not known. About one-quarter of members are in schemes from which the benefit of the employer's contributions is given in all cases. In the rules that were analysed, schemes in which the benefits are just large enough to permit their members to be contracted out of graduated national pensions do not contribute a material part of Item IV.

TABLE 14
*Nature of the benefits available in the
event of voluntary withdrawal
Private Sector, 1967*

Benefit	Proportion of	
	Schemes	Members
I No benefit	% 10	% 20
II Refund of personal contributions, or equivalent deferred pension, only	35	40
III Benefit of employer's contributions at the discretion of employer or trustees	35 20	15 25
IV Benefit of employer's contributions in all cases		
Total	100	100

89. The form of analysis now presented probably accords more closely with the manner in which the rules of schemes are drawn up than does that in Table 43 of the report on the 1963 inquiry. In that table also, there were four subdivisions, with a fair spread of schemes and members among all the categories, but it indicated a greater preponderance of preservation at the option of the employer than does Table 14 for this inquiry. The difference is at least partly accounted for by the new and perhaps more realistic system of classification now adopted.

Redundancy

90. Table 15 gives in similar form the results of the present inquiry in respect of benefits on redundancy. In comparison with Table 14, these data show a considerable increase in the unconditional grant of the benefit of the employer's contributions if the redundant member should choose a deferred annuity in relation to his own contributions. A similar shift was evident from a comparison of Table 42 with Table 43 of the report on the 1963 inquiry, although it was there described as a transfer from preservation at the employer's option to preservation at the member's option. The method of presentation given in Tables 14 and 15 seems more appropriate.

TABLE 15
*Nature of the benefits available
in the event of redundancy
Private Sector, 1967*

Benefit	Proportion of	
	Schemes	Members
I No benefit	% 10	% 20
II Refund of personal contributions, or equivalent deferred pension, only	10	20
III Benefit of employer's contributions at the discretion of employer or trustees	20	10
IV Benefit of employer's contributions in all cases	60	50
Total	100	100

91. If the rules of pension schemes are considered in respect of their provision for redundancy and voluntary withdrawal jointly, two general types of provisions clearly emerge:

- (i) the benefit is the same in either event, or
- (ii) whatever the benefit on voluntary withdrawal, on redundancy a deferred pension based on the contributions of both parties is available if the member should wish to have it.

Other combinations of benefits are rare.

92. The form of analysis used in this Report, in respect of withdrawal benefits in Private Sector pension schemes, derives from a close study of the rules of such schemes. This form is not particularly appropriate for pension schemes in the Public Sector: here the position has changed little since the 1963 inquiry when, as shown in paragraph 107 of the report on that inquiry, preservation of some sort is available in 80 per cent of schemes, but mostly at the employer's option. In practice, this option is often not exercised, as was indicated by Table 46 of the report.

CONCLUSION

93. In many respects the new statistical inquiry has broadly confirmed the results of the investigation held 4 years before. Having regard to the sampling variability of the data of both inquiries, which is necessarily substantial for all estimates of numbers of members and of total contribution income and pension outgo, it is not possible to assess very precisely the rate of development of the occupational pension scheme movement. It appears, however, that growth in membership is continuing steadily and that benefit provisions have been markedly improved. Most of this improvement relates to pensions payable upon normal retirement. The proportion of members covered for widows' pensions shows an improvement as compared with 1963. The level of lump sum benefits on death in service also appears to have been raised. Otherwise there are relatively few signs

of advance in ancillary benefits, or in the preservation of accrued rights on transfer to new employment. There is evidence, however, of a growth in augmentation of pensions to retired employees because of the rising cost of living, and the details—now available for the first time—of the extent to which pensions have been augmented indicates an appreciable concern with this problem.

SUMMARY

94. Some 3,000 firms, chosen as a representative sample of United Kingdom employers with pension schemes, were asked to supply statistical information. Replies were received from about two-thirds of those now active in this field. Corresponding particulars were assembled for the whole of the Public Sector.

95. There were probably about 56,000 separate employing organisations with pension schemes at the end of 1967, and the number of their schemes is estimated to have been 65,000. These organisations employed perhaps 22 million people, of whom 12 millions were pensionable. The rise in the number of pensionable employees since 1963 is of the order of 1 million, mostly in the Private Sector.

96. Of the 10 million employees excluded from their employers' pension schemes, over 3 million were too young, or had served for too short a time, for admission. $4\frac{1}{2}$ millions were ineligible for the scheme because of the nature of their work. The remainder were excluded for a miscellany of reasons.

97. Payments into and out of pension schemes increased substantially in amount between 1963 and 1967. In 1967, members probably contributed some £345 millions (Private Sector £190 millions; Public Sector £155 millions). Employers paid about £920 millions (Private Sector £525 millions; Public Sector £395 millions). Some £570 millions was paid in pensions and £365 millions in other benefits and to meet the cost of administration. The invested funds grew by some £810 millions in the year.

98. The number of members of occupational pension schemes who were contracted out of the national insurance graduated pension scheme at the end of 1967 was about 5.3 millions, or over 40 per cent of all members.

99. No material change in minimum entry ages and conditions, or in normal pension ages, appears to have occurred between 1963 and 1967. Most schemes have a pension age of 65 for men and 60 for women.

100. The proportion of members who are not required to contribute has remained unchanged at about 35 per cent since 1963. Where the members do contribute, the rates of contribution that they pay appear to have risen; this increase seems to be associated with a change in the form of a number of schemes, and with improvements in the levels of the benefits provided. The amounts paid by employers to their pension schemes, expressed per head of the membership, vary from less than £25 a year to more than £200 a year. The most usual payment per head in 1967 was in the range £50–99.

101. Over the period 1963 to 1967, schemes in the Private Sector in which the pension is assessed, in effect, in relation to the salary or wages earned throughout service appear to have given place in some degree to schemes in which the pension is based on final salary and length of service. Generally speaking, rates of pension accrual appear to have risen during the past 4 years.

102. One result of a rise in the rate of pension accrual is that more attention has been paid, mostly by the largest firms, to the incorporation in their schemes of specific adjustments of contributions and benefits for National Insurance; such adjustments are, however, still uncommon in the smaller pension schemes.

103. Arrangements for the adjustment of pensions in the event of early or deferred retirement have probably remained much as they were in 1963.

104. The proportions of Private Sector schemes in which augmentation of pension is provided, on account of increases in the cost of living, are now higher than they were in 1963. It is uncommon for plans for such augmentation to be made until a scheme has been in force for some while, because in the early years there will normally be no pensions to increase. But, taking only those schemes from which retirements on pension have actually occurred, the proportion of members who belong to schemes in which augmentation is granted is now about 80 per cent. In nearly one-half of these cases, the augmentation is given at retirement, and probably represents the rectification of the undue smallness of a benefit based on short service or a low rate of accrual. Other increases are designed to safeguard pensions against loss of real value in changing economic conditions.

105. The extent of pension augmentation varies widely from one scheme to another; expressed in absolute amounts, it rises with the size of the pension, but, expressed as a proportion of that pension, it tends to fall as the size of the pension grows. The average rate of augmentation of pension after retirement, where augmentation is given, is of the order of 2 to 3 per cent per annum.

106. The investigation shows an increase in the proportion of members who are in schemes providing widows' pensions. For other death benefits, it generally confirms the findings of 1963, and gives more details about lump sum payments than were previously available.

107. It does not appear as though the arrangements for the payment of transfer values or the preservation of benefit rights upon change of employment have undergone any appreciable development during the past 4 years. The report presents, however, what is considered to be an improved method of analysis of the possibilities, especially in regard to the various options available and the conditions under which they may be exercised. 25 per cent of members are in schemes from which the benefit of the employer's contributions will be credited, on voluntary withdrawal from the firm's service, provided that the member elects to receive a deferred pension in due course. A further 15 per cent are in schemes from which the benefit of the employer's contributions may be granted, at his discretion or that of the trustees. In the event of redundancy, the provisions are usually better than on voluntary withdrawal.

APPENDIX I

INQUIRY ADDRESSED TO EMPLOYERS

Government Actuary's Department,
Caxton House East,
Tothill Street,
London, S.W.1.

September, 1967.

Dear Sir,

Occupational Pension Schemes

Since the publication of the booklet entitled "Occupational Pension Schemes—A New Survey by the Government Actuary" (H.M.S.O., 1966), relating to the year 1963, there has been evidence of a continuing development of pension schemes in the United Kingdom, and widespread interest in this development has been shown. In order that the latest trends may be investigated, the Government have asked me to conduct a fresh sample survey this year. In this survey, the co-operation of employers is essential, and I hope that you will be willing to help by completing the attached form, so far as it is applicable. Notes are appended which will, I hope, be of assistance to you. A second copy of the form is enclosed for your retention, and further copies can be supplied on request. The completed form should be returned to me in the enclosed envelope, if possible before 31st December.

As with the two previous surveys, the summarised results of the present inquiry will be published, but the information you supply about your own schemes will be treated as strictly confidential to this Department, and will not be disclosed, either in public or in private, to anyone outside the Department.

I am authorised by the Confederation of British Industries and by the Trades Union Congress to say that they approve of the inquiry, as do the Industrial Society, the Institute and the Faculty of Actuaries and the National Association of Pension Funds. The project also has the support of the Life Offices' Association and Associated Scottish Life Offices and the C.I.B. Society of Pension Consultants, whose members may be able to assist in the preparation of the returns.

I should be most grateful for your co-operation.

Yours faithfully,

[Signed] HERBERT TETLEY,
Government Actuary.

Occupational Pension Schemes

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I. *Name of employer*

Address

Note: Please read the General Notes which follow, and then answer the questions on the ensuing sheets; space is left below for any observations you may wish to make.

General observations (on the questionnaire, on any difficulties you have experienced in filling it in, on approximations in the figures supplied, etc.):

Date, 1967.

Signed.....

General Notes

1. The information is for the use, in confidence, of the Government Actuary's Department, Caxton House East, Tothill Street, London, S.W.1. Any queries on matters of difficulty should be addressed to the Government Actuary. Information relating to individual employers will not be disclosed, either in public or in private.
2. Schemes providing only lump sum benefits on death or retirement (such as group-life policies) and schemes providing only widows' pensions should be included; only such questions as are appropriate need then be answered.
3. If you have less than 10 pensionable employees in all, please answer only Questions I, II and III, and write "less than 10 pensionable employees" at the head of the form.
4. If you have 10 or more but less than 25 pensionable employees in all, answers need not be provided to Question IV, or to any of Questions XI-XVII.
5. A copy of the current rules of each scheme may, if desired, be sent in lieu of answering Questions VI, VII, VIII, XI and XII.
6. Employees permanently outside the United Kingdom, and all matters relating to them and their pensions, should be excluded wherever possible.
7. If any of your pension schemes cover other firms besides your own, please supply figures only for the organisation named. If this is not possible, because the firms are linked together in one organisation, please arrange for the supply of figures relating to the whole scheme and indicate where this has been done.
8. Please send the latest available information. Approximate answers should be given to any question if the exact figures cannot be ascertained.
9. Additional copies of this form and notes will be supplied on application.

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II. Please show in the boxes the total numbers of your employees in each category.

Date to which the numbers relate

Note: Here and in similar questions below, numbers should be spaced to the right, e.g. 136 should be shown as:

			1	3	6
--	--	--	---	---	---

Non-manual: men

--	--	--	--	--	--

Manual: men

--	--	--	--	--	--

Total: men

--	--	--	--	--	--

Non-manual: women

--	--	--	--	--	--

Manual: women

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Total: women

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Note: Where there are separate pension schemes for non-manual and manual employees, the distinction between these types of employment will be evident. In other cases, the following classification will serve as a useful guide:

Non-manual: Managing and other directors in receipt of a definite wage, salary or commission; managers, superintendents, and works foremen; research, experimental, development, technical and design employees (other than operatives); draughtsmen and tracers; editorial staff, staff reporters, canvassers, competition and advertising staff; travellers; and office (including works office) employees.

Manual: All other classes of employee, including operatives employed in power houses, transport work, stores, warehouses, shops and canteens; inspectors, viewers and similar workers; maintenance workers; and cleaners.

- III. A. If you have a pension scheme (or more than one) in operation at present for your employees in the U.K., please state, in the appropriate boxes, the numbers of employees who were members of one or more of the schemes on the date to which Question II relates.

Non-manual: men

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Manual: men

--	--	--	--	--

Total: men

--	--	--	--	--

Non-manual: women

--	--	--	--	--

Manual: women

--	--	--	--	--

Total: women

--	--	--	--	--

- B. Please indicate roughly how many men and women employees are excluded from your pension scheme or schemes for the following reasons:

	Men	Women
(1) Not yet old enough to join
(2) Service too short as yet
(3) Too old
(4) Employment not eligible
(5) Other reasons (please specify)
Total

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				2
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- IV. Please state the total amount contributed to your schemes by members and by the employer during the year 1966 (or other convenient recent twelve-month period) and the amounts of pension benefit paid during the same year.

Period.....to.....

(1) Members' contributions

£

--	--	--	--	--	--	--	--

- (2) Employer's contributions £

--	--	--	--	--	--	--	--
- (3) Pensions to former employees £

--	--	--	--	--	--	--	--
- (4) Pensions to widows and dependants £

--	--	--	--	--	--	--	--

Note: The employer's contributions should include any special payments but should omit national insurance contributions; any pensions paid out of revenue should be included in (3) and (4) and an equal sum should be included in (2); sums paid by way of commutation of pension should be excluded.

- V. In a number of the following questions, particulars are requested of the provisions of your pension schemes. If you have more than one such scheme, please indicate the approximate number of members of each in the following boxes:

<i>Scheme 1</i>					
<i>Scheme 2</i>					
<i>Scheme 3</i>					

Note: Closed schemes and schemes restricted to limited and special classes of employees (e.g., directors, executives) should be omitted; the numbers should not be adjusted here to eliminate any duplicate membership.

- VI. Please indicate, by ringing the appropriate number, the type of benefit each scheme provides for employees when they retire at the normal pension age.

	<i>Scheme 1</i>	<i>Scheme 2</i>	<i>Scheme 3</i>
(1) Pensions based on pay at or near retirement and length of service	1	1	1
(2) Pensions based on a fixed amount for each year of service	2	2	2
(3) Pensions based on the pay earned from time to time throughout service	3	3	3
(4) Pensions on some other basis	4	4	4
(5) Lump sums only	5	5	5
(6) Lump sum as well as pension	6	6	6

Note: In this Question and in VII below, please insert in the space on the left-hand side an indication of the rate of accrual of pension or lump sum for each year of service; in (3), this should be the amount that is appropriate to a salary of £1,000 per annum; if part of the pension is commutable, the proportion commutable should be indicated on the left-hand side, but item 6 should not be ringed.

VII. Please give similar details of the death benefits and any widows' pensions provided by your pension schemes, or indicate if there are no such benefits.

A. Death in Service

	<i>Scheme 1</i>	<i>Scheme 2</i>	<i>Scheme 3</i>
(1) Widow's pension in all cases	1	1	1
(2) Widow's pension only if member exercises an option	2	2	2
(3) Lump sum payment	3	3	3
(4) Return of member's contributions (with or without interest)	4	4	4
(5) No death benefit	5	5	5

B. Death after Retirement

(1) Widow's pension in all cases	1	1	1
(2) Widow's pension only if member exercises an option	2	2	2
(3) Lump sum payment	3	3	3
(4) Return of member's contributions (less pension payments received)	4	4	4
(5) No death benefit	5	5	5

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VIII. If the members of any of the pension schemes contribute a part of the cost, please indicate the basis of assessment of their contributions: if they do not contribute, please ring code no. 4. Details should be given on the left-hand side.

	<i>Scheme 1</i>	<i>Scheme 2</i>	<i>Scheme 3</i>
(1) Percentage of pay	1	1	1
(2) Level sum	2	2	2
(3) Other basis	3	3	3
(4) No contribution	4	4	4

IX. Please indicate the approximate number of members who are contracted out of the national insurance graduated pension (i.e., in an employment covered by a certificate of non-participation issued by the Registrar).

Scheme 1

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Scheme 2

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Scheme 3

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- X. A. Please state (by ringing a number, and giving details on the left-hand side) whether, in assessing the member's contributions, specific adjustments are made in respect of National Insurance, by

	<i>Scheme 1</i>	<i>Scheme 2</i>	<i>Scheme 3</i>
(1) Disregarding a specific portion of pay	1	1	1
(2) A specific deduction from the contribution	2	2	2
(3) Any other method	3	3	3
(4) No adjustment	4	4	4

- B. Please indicate similarly whether pensions are specifically adjusted for National Insurance.

	<i>Scheme 1</i>	<i>Scheme 2</i>	<i>Scheme 3</i>
(1) Disregarding a specific portion of pay	1	1	1
(2) A specific deduction from the pension	2	2	2
(3) Any other method	3	3	3
(4) No adjustment	4	4	4

- XI. Please state whether or not there are provisions under which, if an employee leaves your service voluntarily, and he is a member of one of your pension schemes, his "pension rights" may be preserved? Please ring the appropriate figures.

Note: The preservation of National Insurance equivalent pension benefits for contracted-out employees should not be mentioned.

	<i>Scheme 1</i>	<i>Scheme 2</i>	<i>Scheme 3</i>
(1) Deferred pension	1	1	1
(2) Transfer value	2	2	2
(3) Other arrangements	3	3	3
(4) Only a return of personal contributions (with or without interest)	4	4	4
(5) No benefit whatever	5	5	5

Note: Please indicate on the left-hand side whether the provisions are different in the event of redundancy and please state to what extent preservation by deferred pension or payment of a transfer value occurs in day-to-day practice, e.g., indicate the proportions of leavers who take each form of preservation.

- XII. Do your schemes provide for the receipt of transfer values from other schemes?

	<i>Scheme 1</i>	<i>Scheme 2</i>	<i>Scheme 3</i>
YES	1	1	1
No	2	2	2

XIII. Has anyone yet retired on pension?

	Scheme 1	Scheme 2	Scheme 3
YES	1	1	1
NO	2	2	2

XIV. Please indicate (by ringing a number) whether or not arrangements have been made for augmenting pensions provided by the schemes because they are regarded as insufficient.

		Scheme 1	Scheme 2	Scheme 3
A. At the moment of retirement	YES	1	1	1
	NO	2	2	2
B. After retirement	YES	1	1	1
	NO	2	2	2

XV. Is augmentation done on an *ad hoc* basis or is it automatic?

		Scheme 1	Scheme 2	Scheme 3
A. At the moment of retirement	AD HOC	1	1	1
	AUTOMATIC	2	2	2
B. After retirement	AD HOC	1	1	1
	AUTOMATIC	2	2	2

XVI. Please indicate the source of the augmentation

	Scheme 1	Scheme 2	Scheme 3
SURPLUS IN THE FUND	1	1	1
OTHER SOURCES	2	2	2

XVII. If there has been augmentation of any kind, please give an indication of the approximate extent of all augmentations, if possible by filling in the table.

Original amount of pension per annum before any augmentation	Total amount per annum added
£	£
A. On retirement	
Under 150	
150-299	
300 or more	
B. 10 years after retirement	
Under 150	
150-299	
300 or more	

Note: If no pensioner has yet been retired for 10 years, please indicate the amount of augmentation for the longest-retired pensioners and mention the period of retirement.

APPENDIX II

THE RATE OF RESPONSE TO THE INQUIRY

1. The following statement shows the numbers of Private Sector firms approached for information, the numbers found to be non-effective for one reason or another and the numbers supplying or not supplying useful material:

	<i>Sampled firms</i>	<i>Specially selected large firms</i>
(1) Number of firms initially approached for information	2,925	99
(2) Number of non-effective cases	612	7
(3) Number of firms supplying full or partial data ...	1,105	57
(4) Number of firms about which no statistical information was received in time for processing	1,208	35

Among the non-effective cases are included firms which could not be traced, those known to have ceased operations or to have been taken over, and those still active and independent but known to have no pension scheme. The statistical evidence suggests that some more non-effective cases are included in item (4).

2. Where possible, reminder letters were sent at the end of 1967 to firms who had not replied. The response during the early months of 1968 was very much greater from firms approached in this way than from those firms which received no such reminder. As a result, the proportion of firms about which no information was obtained was in the end only about one-quarter for the group receiving reminders, but for the others it was a little over one-half. It seems reasonable to assume that, if reminders had been sent to all the sampled firms, their response would have been generally similar to that of the group which did receive a second letter at the end of 1967. On this assumption it is estimated that, if a reminder had been sent to all, the number of useful returns received from the sampled employers (excluding the specially selected) would have been about 1,350; the number of non-effective cases would have been about 750, and the number of cases of non-response would have been reduced to 825. The special study of a sample of non-responding firms, referred to in paragraph 10 of the report, suggests that these included at least 150 more non-effective cases, making 900 in all, so that the true "non-response" would have been about 675. Thus, out of about 2,025 firms, excluding the non-effective cases, about two-thirds would have replied.

3. The actual response to the inquiry by 1,105 sampled firms thus probably represents about 55 per cent of all active firms having a pension scheme. For those who received the reminder, however, the response rate was over 65 per cent; this is the same as the proportion replying in 1963. For the specially-selected large firms, however, the response rate on the present occasion was effectively 62 per cent, as compared with nearly 75 per cent in 1963. For the Public Sector, as in the previous inquiry, a complete response was secured, apart from a few minor details which could not be supplied for one or two schemes.

4. On the basis of the available data, supported as they are by the results of the previous inquiry, it is possible to estimate the extent to which the response rate varied

with the size of firm. The assessments are approximately as follows for firms who received a reminder:

<i>Number of staff employed</i>	<i>Response rate</i> %
Under 50	70
50-99	60
100-499	55
500 and over	65
All sizes	65

The reduced response-rate for the medium-sized firms is a feature which was also noted in the 1963 inquiry. It is probably attributable on the one hand to the fact that they were asked to answer more questions than were the firms with few members in their pension scheme and, on the other hand, to the fact that the medium-sized firms may not have had any staff technically qualified to attend to detailed inquiries on pension schemes, whereas the larger firms often had special pension departments able and willing to do so.

5. As has been shown in paragraph 13 of the report, over 40 per cent of employers with pension schemes with 10 or more members took advantage of the opportunity which was afforded to send a copy of the rules of the scheme rather than complete the answers to Questions VI-VIII and XI-XII. It is of interest to note that firms that elected to send copies of the rules of their pension schemes in this way do not appear to have had materially different characteristics from the generality of responding employers. Similarly, the copies of the rules obtained in this way do not appear unrepresentative of the rules of the pension schemes of all responding employers. This being so, some additional features of these rules, about which no inquiries were made in the questionnaire, could be studied, thus usefully enlarging the scope of the inquiry—although the size of this part of the sample is too small for the drawing of more than very general conclusions.

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